

The Profile of the Romanian Entrepreneur and its Compatibility with the Characteristics of a Learning Organization

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Abstract

Entrepreneurs do not form a homogeneous set who can be distinguished from non-entrepreneurs on the basis of their personality characteristics. In Romania, the Small and Medium Enterprises (SMEs) have a young history of 19 years behind. The present paper aims to outline the profile of the Romanian entrepreneur and to analyze the compatibility between the features of the entrepreneur's behavior and those required by a Learning Organization. The results are based on a study performed in February and March 2009 on a sample of 200 respondents from different regions of the country and indicate a high potential for SMEs development in Romania.

Keywords: *entrepreneur, entrepreneurship, Romania, learning organization, small and medium enterprises*

JEL Classification: L26

1. Introduction

Entrepreneurship is an emerging research area in Romania. Small and Medium Enterprises (SMEs) have a recent history of 19 years and their well recognized impact on the development of the economy has attracted the interest of the professionals and scholars.

Acknowledging the importance of entrepreneurship for the Romanian business context, we realized a study on a sample of 200 entrepreneurs that belong to five sectors of activity: *Services, IT/Telecom, Commerce, Tourism and Constructions* from different regions of the country, measuring 36 variables. The data was analyzed using Statistical Packages for Social Scientists (SPSS) 16.0 and yielded multiple results that can not be exhaustively presented in the present paper, due to its dimensions' restriction. Therefore the most significant results are presented, with a focus on the profile characteristics, and detailed secondary correlations will be developed in following research communications.

Though, few comprehensive studies have been accomplished in this direction, from which we mention: *The Learning Organization in SMEs* (Choueke, Armstrong, 1998), *Entrepreneurial Learning and the Grow Process in SMEs* (Deakins, Freel, 1998), *Learning Strategies and Resources for Entrepreneurs and Intrapreneurs* (Honig, 2001), *Life as Entrepreneur: Leadership and Learning* (Pitts, 2008).

Entrepreneurship was defined by Stevenson (1983, 1985, 1990) as the pursuit of opportunity beyond the currently controlled resources, considering both the individual and the society in which the entrepreneur is embedded.

The triaxial approach of the entrepreneur (Toulouse, 1997) focuses on three main characteristics of the human activity: *the values system, the degree of involvement and the intensity of actions* (fig. 1) – and identifies 8 types of activities, each corresponding to a occupation associated with initiation, preparation, conduct and completion of the major changes in society: *entrepreneur, researcher, investor, specialist, prophet, activist, manager and public servant*.

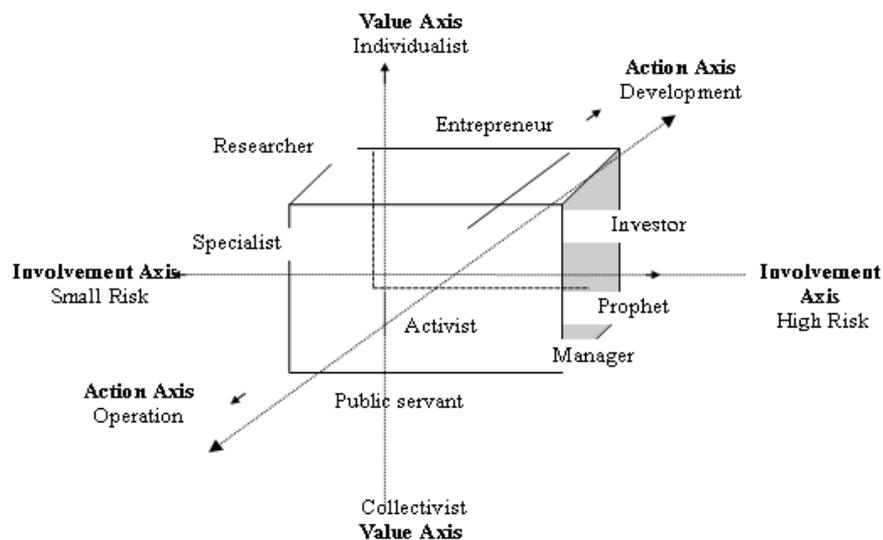


Figure 1 The triaxial approach of the entrepreneur

From this tridimensional perspective, the entrepreneur is characterized from a sociological point of view - of the *values*, by a strong individualism, with priority attention given to autonomy and freedom of decision. From the psychological point of view – of the *involvement*, the entrepreneur assumes risks when it comes to career, family, to his/her own image and, of course, to money related actions. The entrepreneur is not risk averse, but most of the risks undertaken are “calculated” due to the entrepreneur strong belief that he/she possesses the capacity to influence others and the power to design the own destiny. Often, entrepreneurs are people who have a material or psychological dissatisfaction, accentuated by a pronounced need for self-realization.

Stevenson (1990) defines the entrepreneur in a sythetical view as being a risk taker, founder of organizations and activities, an innovator, and a capitalist who posseses moral and behavioral flexibility. According to Stevenson, a particular attention should be given to a good understanding of the successful entrepreneurs’ characteristics, which include: tenacity, major attention given to details, understanding of the risk assumed, self-confidence and acknowledgement of other people’s motivations.

Freeley (1986) considers ten features of a succesful entrepreneur: strong personal motivation, ability to solve problems, depth knowledge in the field of entrepreneurial actions, perseverance in reaching the objectives, active involvement in the organization’s activities; strong communication skills, responsibility, and a family or contextual entrepreneurial background.

Through their dynamic characteristics, roles and dimmensions, entrepreneurs generate a constructive turbulence in the society at the economical and social level. The business founded determine capital movements and multiplication, reflected in the increase of wages and incomes. Economic changes are reflected in social changes, contributing decisively to the change of social structure and its individual composition. Synergic effects offers freshness and vitality to society and to the economy as a whole.

2. The Romanian context

Two years after Romania became a member of the European Union, the overall picture of the economy in early 2009 provides a comprehensive picture which contains the development pillars for the coming years, but also indicates some unsatisfactory evolutions.

The reform process aims to further harmonize all the components of the social and economic life with the consolidation of structural reforms, to strengthen the financial discipline, to stimulate the development and efficiency parameters of both the local and the foreign capital through the implementation of policies and mechanisms consistent with the European Union desiderates. Currently the post-adhering strategy is being implemented and aims to reduce disparities between Romania and other EU countries. The functioning market economy rating has improved, based on results and performance. Financial policy aims to stimulate

labor, saving and investment. Fiscal policy aims to strengthen the financial discipline, and to tighten the legislation concerning budget debt recovery.

The activity of the *Romanian Agency for Foreign Investment* and the legislative framework improvement act as catalysts for private investments and institutional investors. An *Action Plan* to eliminate barriers from the business environment has also been implemented. The system of registration and authorization of new companies, trade procedures, regulations of new market entry and exit were simplified in a sustained attempt to reduce bureaucracy. Some other measures to improve the business environment and to support development of SMEs in Romania include:

- Exemption from trade tax and VAT on imports of machinery and equipment for the modernization of SMEs;
- Capital market measures to stimulate investment;
- Chambers of commerce and industry support to facilitate the establishment and licensing of companies;
- Attracting funding to support private entrepreneurs and small enterprises;
- Improving SMEs' access to finance, by providing financial support and assistance;
- Assistance given to SMEs to participate in programs such as funding grants to increase competitiveness by implementing and certifying quality systems; support programs for craftsmen; national program to support SMEs' access to services, training and consulting, software development; governmental programs to support SMEs in export development; reinvested gross profit programs to support development of SMEs, etc.
- Priority access of SMEs to public procurement of goods works and services.

3. Research methodology

The Purpose of the Research

This study aims to analyze four main types of scaled entrepreneurial characteristics: **general characteristics**, which include the motivations of the entrepreneur for starting the business, **characteristics of the firm**, **specific entrepreneurial behavior** and **premises of Learning Organization implementation and development**. This profile is expected to provide significant information regarding the existence of the necessary requirements in the Small and Medium Enterprises in Romania for the evolution into potential Learning Organizations.

In this context, it was decided to carry out an exploratory study that outlines the profile of the Romanian entrepreneur and addresses the following research questions:

1. Do the four groups of characteristics taken into consideration differ at the entrepreneurs with more than 15 years of entrepreneurial experience from the average results?

2. What is the degree of association between the level of importance given to social activities and the size of the firm?

3. Is there any association significance between the use of planning techniques, the use of a career plan for employees, respectively correlation of Human Resources strategy to the objective of the firms, and the specific managerial studies undertaken by the entrepreneurs?

4. Are the characteristics of the entrepreneur, which strongly determine the characteristics of the firm in the case of SMEs, compatible with the conditions necessary for the implementation and development of Learning Organizations in Romania?

Research Hypotheses

1. The entrepreneurs with more than 15 years of business experience differ from the rest of the population in terms of *sex composition* – higher percentage of male entrepreneurs; *level of education completed* – smaller degree of University studies; *business start-up partners* – a more individualist initiative.

2. The level of importance given to social activities decreases as the number of employees rises.

3. The use of planning techniques, the use of a career plan for employees, respectively the correlation of Human Resources strategy to the objective of the firms is more increased in the case of entrepreneurs with specific managerial studies.

4. The characteristics of the entrepreneur offer the premises for implementation and development of Learning Organizations in SMEs in Romania.

Study Methodology

Method: Primary data, through structured questionnaire, were collected from a sample of 200 firms randomly selected from among the small and medium enterprises engaged in five sectors of activity: *Services, IT/Telecom, Commerce, Tourism and Constructions*. The research adopted a survey method to collect data on the general characteristics, motivations to start an independent business, characteristics of the firm, and premises of Learning Organization implementation and development. The sample, defined as independent start-ups that are not part of a business house, consists of 200 entrepreneurs located in different regions of the country. Data was collected in February and March 2009.

Analysis: Data were analyzed using descriptive and inferential statistics with the aid of Statistical Packages for Social Scientists (SPSS). Also, the correlation analysis were carried out to examine the relationship between variables.

The characteristics of the entrepreneur were further analyzed into a smaller number of components. A cluster analysis of the characteristics of entrepreneurs which first started a SME more than 15 years ago in Romania yielded certain differences compared to the general profile.

As significance tool it has been used the Pearson chi-square test, which allows to test the independence of two categorical variables. Among statisticians a chi square of 0.05 is a conventionally accepted threshold of statistical significance; values of less than 0.05 are commonly referred to as "statistically significant." In practical terms, a chi square of less than 0.05 means that if, in fact, there was no association in the population between the independent and dependent variables, the observed association would be expected to occur by chance less than 5 times in 100 samples of the type we used. Thus, when the chi-square was less than 0.05 for the analyzed correlations, we rejected the possibility that no association exists between the independent and dependent variables. As the chi-square increases above 0.05, the likelihood that the observed association occurred by chance increases.

Profile of the Romanian entrepreneur

The results of our study concerning are presented below.

Profile Characteristics of the Romanian Entrepreneur

Table 1

Sex					
Female	Male				
23%	77%				
Age					
18-24 years	25-34 years	35-50 years	Over 50 years		
1.5%	42.5%	52.5%	3.5%		
Average age on sectors					
Services	IT/Telecom	Commerce	Tourism	Constructions	Total
36.18 years	33.00 years	35.46 years	36.07 years	39.05 years	36.34 years
Marital Status:					
Married	Single	Divorced	Widow		
57.0%	38.0%	4.5%	0.5%		
Children					
Has at least one child		Does not have children			
49.5%		50.5%			
Years of experience as entrepreneur- Sectorial average					
Services	IT/Telecom	Commerce	Tourism	Constructions	Total
6.18 years	4.40 years	6.52 years	5.64 years	7.95 years	6.52 years
Education - Highest degree achieved					
Secondary School	Medium Level Studies	University Studies			
0.5%	24.5%	75.0%			
Specific Managerial Training					
Yes	No				
39.5%	60.5%				
Motivations of becoming an entrepreneur					
Continuing Family's Tradition	Lack of other employment opportunities	Seeking business opportunities	Dissatisfaction as employee	Other Reasons	
8.5%	20.0%	46.0%	23.0%	2.5%	
Business Start-up Partners					
Family's Members	By his/her own	Mutual initiative with some friends or partners		Others	
28.0%	33.5%	36.0%		2.5%	

B. Characteristics of the Firm							
Number of employees							
1-9	10-49	50-249					
31.0%	36.5%	32.5%					
Annual net revenue							
<2millions €	2-10 millions €	10-50 millions €					
90.5%	9.0%	0.5%					
Organization of the firm							
Structured and formal	Structured and informal	Less structured and formal	Less structured and informal				
5.0%	61.5%	2.5%	31.0%				
C. Entrepreneurial Behaviour							
Time dedication to the business on average per day							
<8h	8-12h	12-14h	>14h				
4.0%	41.5%	31.5%	23.0%				
Number of firms started							
1	2	3	4	5	6	7	>7
25.5%	32.0%	21.0%	10.0%	8.0%	1.5%	2.0%	0%
Previous bankruptcy history							
Previous Bankruptcy Record				No Bankruptcy Record			
53.0%				47.0%			
Use of planning techniques							
Yes		No					
45.5%		54.5%					
Use of employees career plan							
Yes		No					
18%		82%					
Link of Human Resources recruiting strategy to organizational objectives							
Yes		No					
17.0%		83.0%					
Types of personal reward							
Monetary and Non-monetary			Monetary	Non-monetary			
28.5%			65.0%	6.5%			
Degree of importance given to social activities							
Very Low	Low	Average	High	Very High			
0%	35.5%	49.5%	15.0%	0%			
Internal or external training provided							
Yes		No					
45.0%		55.0%					
Dominant way of work							
Team work		Individual Work					
43.0%		57.0%					
Activities of the firm in which the entrepreneurs most involves directly							
Sales/Commercial/Marketing	Production	R&D	Finance	Other activities			
41.5%	14.0%	6.0%	36.0%	2.5%			
Self-image Perception of the entrepreneur by its employees							
Innovator	Good Salesman	Visionary	Leader	Other desired perception			
12.0%	26.50%	9.00%	45.50%	7.00%			

D. Premises of Learning Organization implementation and development					
Existence of a system for gathering external information					
Never	Sometimes	Regularly	Often	Always	
0.5%	56.0%	29.5%	14.0%	0%	
Availability of financial information to employees					
Yes	No				
36.0%	64.0%				
Encouragement of the employees involvement in other areas than those specified in their job description					
Yes	No				
75.0%	25.0%				
Department that plays the most important role in establishing the strategy of the firm					
Sales	Commercial/Marketing	Production	R&D	Finance	Other
31.0%	28.0%	22.0%	4.0%	10.5%	4.5%
Frequency of meeting with the customers					
Daily	2-3 times a week	5-6 times a month	Occasionally		
46.5%	4.5%	33.5%	15.5%		
Considers a possible enlargement of the firm in 2009					
Yes	No				
33.0%	67.0%				
Acknowledges the importance of the new communication and information technologies to the development of the firm					
Perception of the business environment in Romania on sectors					
Sectors	Unfavorable	Permissive	Favorable		
Services	32.14%	42.86%	25.00%		
IT/Telecom	40.00%	40.00%	20.00%		
Commerce	48.24%	32.94%	18.82%		
Tourism	40.48%	45.24%	14.29%		
Constructions	55.00%	32.50%	12.50%		
Total	45.5%	37.0%	17.5%		

Some of the significant findings of the study tested under the Pearson chi-square assumptions are given below.

- a. The importance given to employees' social activities tends to decrease as the size of the firm becomes larger.

Profile Characteristics of the Romanian Entrepreneur

Table 2

The number of employees of the firm	Importance given to employees' social activities			
	Low	Average	High	Total
1-9	14.5%	61.3%	24.2%	100.0%
10-49	26.0%	64.4%	9.6%	100.0%
50-249	66.2%	21.5%	12.3%	100.0%
Total	35.5%	49.5%	15.0%	100.0%

The *Importance given to Social Processes* is not distributed similarly across different *Size of the Firm* and small size firms are more likely **give importance to employees' social activities** than big size firms.

b. *The use of planning techniques in the firm* is not correlated with the level of Academic Education of the entrepreneur (University Studies – Non-University Studies), nor with the field of the educational background (Business and Social Sciences – Other types of study). This dependent variable proved to be associated with the independent variable *Specific Managerial Studies*.

The chi-square significance test measures the likelihood that the observed association between the independent variable *Specific Managerial Studies Undertaken* and the dependent variable *Use of Planning Techniques* is caused by chance and yielded a result of 0.001.

Specific Managerial Studies * Use of planning techniques Cross tabulation

Table 3

		Use of planning techniques			
			Yes	No	Total
Specific Managerial Studies	yes	Count	47	32	79
		% of Total	23,5%	16,0%	39,5%
	no	Count	44	77	121
		% of Total	22,0%	38,5%	60,5%
	Total	Count	91	109	200
		% of Total	45,5%	54,5%	100,0%

c. A similar result was obtained for the dependent variable *Use of career plan for employees*, which has a chi-square significance test result of 0.011 indicates in correlation with the independent variable *Specific Managerial Studies*. As in the previous case, the use of a career plan in the firm is significantly higher in the case of the entrepreneurs which benefited from some sort of managerial studies and trainings, beside their academic background.

Specific Managerial Studies * Use of career plan for employees Cross tabulation

Table 4

		Use of career plan for employees			
			Yes	No	Total
Specific Managerial Studies	yes	Count	21	58	79
		% of Total	10,5%	29,0%	39,5%
	no	Count	15	106	121
		% of Total	7,5%	53,0%	60,5%
	Total	Count	36	164	200
		% of Total	18,0%	82,0%	100,0%

d. *Use of a HR Recruitment Strategy linked to organizational strategy* yields no correlation with any of the independent variables taken into consideration.

The fact that in this case the Pearson chi-square value is 0.169 and more than 0.05 indicates that the rows and columns of the contingency are not dependent. In this particular case it means that the *Use of a HR Recruitment Strategy linked to organizational strategy* is not distributed similarly across the different levels of *Specific Managerial Studies*.

Specific Managerial Studies * HR Recruitment Strategy linked to organizational strategy Cross tabulation

Table 5

		HR Recruitment Strategy linked to organizational strategy			
			Yes	No	Total
Managerial Studies	yes	Count	17	62	79
		% of Total	8,5%	31,0%	39,5%
	no	Count	17	104	121
		% of Total	8,5%	52,0%	60,5%
	total	Count	34	166	200
		% of Total	17,0%	83,0%	100,0%

It was tested also the correlation of this dependent variable with the level of *Academic Education* of the entrepreneur and with the *Field of the Educational Background*, but the results were also not significant, which indicates that the *Use of a HR Recruitment Strategy linked to organizational strategy* is influenced by another variable which can not be captured by a qualitative research and requires an individualized quantitative approach.

Premises for Romanian small and medium enterprises to become a learning organization

Characteristics of a Learning Organization

The concept of *Learning Organization* developed as many organizations changed from product-based to knowledge-based, under the influence of the largest contributing factor to this transition: the technology explosion.

Argyris (1977) defines organizational learning as the process of "detection and correction of errors." A learning organization is therefore one that is able to change its behaviors and mind-sets as a result of experience. Even if this definition is based on an obvious statement, many organizations refuse to acknowledge certain facts and continue to repeat dysfunctional behaviors over and again. Huber (1991) considers four constructs as integrally linked to organizational learning: knowledge acquisition, information distribution, information interpretation, and organizational memory. Senge (1990) defines the Learning Organization as "a

group of people continually enhancing their capacity to create what they want to create."

The present paper does not focus on the metrics that can evaluate learning in an organization, instead analyzes the compatibility between the requirement of such a Learning Organization and the characteristics of the SMEs in Romania, derived from their entrepreneur's characteristics. Peter Senge identifies five dimensions convergent with innovate learning organizations. These are: *Systems thinking, Personal mastery, Mental models, Building shared vision and Team learning.*

The compatibility between the Characteristics of the Romanian Entrepreneur and a Learning Organization

According to these definitions of the concept the main characteristics of a Learning Organization and their compatibility with the result of our study are the following:

- Provides continuous learning opportunities for its employees in the form of training or other employee development activities. 45% of the interviewed entrepreneurs said they offer some kind of internal or external training to their employees and there is an increasing trend in this direction, sustained by the entrance on the Romanian market of several international consultancy and recruitment firms.

- Is continuously aware of and interacts with its environment, feature that can be translated into the acknowledgement of the importance to collect data from the environment and the interest for innovative information technologies. Although 56% of the firms do not collect external data on a regular basis, 95% of the entrepreneurs are aware of the importance of the new communication and information technologies to the development of the firm.

- Links individual performance with organizational performance. In terms of Planning and Strategy, SMEs from Romania are still in an incipient stage. Planning is used to a higher extent in 45.5% of the cases, but a career plan for employees exists in only 18% of the firms and there is a small declared linkage of the human resources recruiting strategy to organizational objectives. The management of the firm is in these conditions mainly intuitive and does not apply the rules and rigors found in large companies. By their nature, SMEs nurture with their reduce dimensions and small number of employees the existence of a less rigid business work frame.

- Develops collective as well as individual learning. This characteristic is also sustained by the fact that 75% of the entrepreneurs encourage the employee's involvement in other areas than those specified in their job description. A less favorable characteristic revealed by the study is that in SMEs the predominant way of working is still very individualist, the majority of the respondents (45%) neglecting the benefits of team work for the organization.

Consequently, the SMEs in Romania offer the necessary conditions required by a Learning Organization with some limitations derived from their insufficient maturation in these 19 years of transition from the communist regime to democracy.

Conclusion

The initial hypotheses of the study were partially confirmed by the results.

1. The characteristics of the entrepreneurs with more than 15 years of business experience differ from the average results compared to the rest of the population in terms of *sex composition*, *level of education completed* and *business start-up partnerships*. Moreover, the research has indicated another major difference in terms of motivations to initiate entrepreneurial activities.

2. Small size firms are more likely to give importance to employees' social activities than big size firms.

3. *The use of planning techniques* and *the use of a career plan for employees* are more increased in the case of entrepreneurs with specific managerial studies. We discovered no significant association between these two variables and the independent variable *Field of academic study* (Social oriented studies, Non social oriented studies) or *Level of Education* (University Studies, Non University Studies). The result showed, contrary to our initial presumption, that there is no correlation between the Human Resources strategy link to the objective of the firms and specific managerial studies undertaken by entrepreneurs.

4. The characteristics of the entrepreneur are compatible with the premises of implementation and development of Learning Organizations in SMEs in Romania.

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